



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

KIRK T. STEUDLE
DIRECTOR

March 27, 2015

Street Administrators

This letter is to inform you of changes required by Public Act 298 of 2012. In lieu of the Michigan Department of Transportation (MDOT) hiring auditors to comply with the new performance audit requirements, MDOT has worked with both the Michigan Municipal League and the County Road Association of Michigan to establish additional audit testing to be done by your Certified Public Accountant (CPA) at the time of your annual financial audit.

Attached you will find an overview of PA 298 of 2012. This was developed with the assistance of the Michigan Association of Certified Public Accountants and is intended to help in deciphering PA 298 of 2012, which reads as follows: *"In addition to the financial compliance audits required by law, the department may conduct performance audits and make investigations of the disposition of all state funds received by cities and villages for transportation purposes to determine compliance with the terms and conditions of this act. Performance audits shall be conducted according to government auditing standards issued by the United States general accounting office. The department shall develop all performance audit procedures and reporting requirements sufficient to determine whether funds expended under this section were expended in compliance with this act by September 1, 2012 and shall report to the transportation committees of the senate and house of representatives no later than October 1, 2012 on the additional audit procedures and reporting requirements. The audit procedures shall include a review of the road fund balance of the city or village. The cities and villages shall report their road fund balances by fund balance component. The department shall assist cities and villages to ensure that road fund balances are consistently classified and are in compliance with the audit and reporting requirements of this section. The department shall provide notice to cities and villages of the standards to be used for audits under this subsection prior to the fiscal year in which the audit is conducted. The department shall notify cities and villages of any subsequent changes to the standards. Cities and villages shall make available to the department the pertinent records for the audit. Performance audits may be performed at the discretion of the department or upon receiving a request from the speaker of the house of representatives or the senate majority leader."*

This attachment is a useful tool to share with your CPA and to refer during your audit process. All audit periods starting October 1, 2015 and after, will need to ensure the attached overview is complied with by your CPA when conducting your annual financial audit. If you have any questions, please contact myself or Andrea Mowry at 517-335-2366 or via email at MowryA@michigan.gov.

Sincerely,

Edward A. Timpf, Administrator
Financial Operations Division
Bureau of Finance and Administration

Enclosure